

## Message Text

UNCLASSIFIED

PAGE 01 CAIRO 14024 241325Z  
ACTION TRSE-00

INFO OCT-01 NEA-10 ISO-00 L-03 H-02 EB-08 /024 W  
-----032926 241328Z /47

R 241019Z AUG 77  
FM AMEMBASSY CAIRO  
TO SECSTATE WASHDC 0000

UNCLAS CAIRO 14024

E.O. 11652: NA  
TAGS: EFIN  
SUBJ: INCOME TAX TREATY

REF: (A) CAIRO 13848, (B) CAIRO 13771, (C) STATE 193787

1. GOE MINFIN HAS CONFIRMED TREASURY'S UNDERSTANDING OF ARTICLE 11 (10) OF DRAFT TREATY. FOLLOWING IS TEXT OF LETTER ON THIS SUBJECT SIGNED BY MINFIN UNDERSEC FOR TAXATION AFFAIRS METAWI, COUNTERSIGNED BY MINFIN DIRECTOR OF RESEARCH FOR TAXATION BAROUDI. (NOTE: MINFIN UNDERSEC HABIB IS NOW CHARGED WITH OVERALL GENERAL REVENUE AFFAIRS AND IN ANY EVENT IS ABSENT ON SICK LEAVE.) ORIGINAL OF LETTER IS BEING POUCHED TO NEA/EGY, ATTENTION KENNEDY.

2. QUOTE: WITH REFERENCE TO US TREASURY'S READING OF ART. 11 (10) OF THE US EGYPT DOUBLE TAXATION CONVENTION ABOUT THE TREATMENT OF DIVIDENDS PAID OUT OF TAX HOLIDAY PROFITS. I BEG TO INFORM YOU THAT I FULLY AGREE WITH US TREASURY'S UNDERSTANDING OF THE SAID ARTICLE THAT WHEN AN EGYPTIAN SUBSIDIARY OF A US CORPORATION MAKES A DISTRIBUTION OF 100 OUT OF PREVIOUSLY EXEMPT TAX HOLIDAY PROFITS, NO INDUSTRIAL AND COMMERCIAL PROFITS TAX WOULD BE PAYABLE IN RESPECT OF THE PROFITS UNDERLYING THE DIVIDEND. THE DIVIDEND IS ONLY SUBJECT TO THE TAX ON INCOME FROM MOVABLE CAPITAL AND OTHER ADDITIONAL TAXES FOR A TOTAL OF ABOUT 40, LEAVING THE INVESTOR WITH A NET DIVIDEND OF 60.

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HOPING THAT AFTER THIS CONFIRMATION, THERE WILL BE NO PROBLEM WITH THE RATIFICATION OF OUR CONVENTION BY THE US SENATE, I AM, YOURS TRULY, A.R. METAWI, UNDER SECRETARY OF STATE, MINISTRY OF FINANCE FOR TAXATION AFFAIRS, A.R. METAWI. END QUOTE.  
EILTS

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AGREEMENTS, INCOME TAXES  
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**Copy:** SINGLE  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
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**Enclosure:** n/a  
**Executive Order:** N/A  
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**Reference:** 77 CAIRO 13848, 77 CAIRO 13771, 77 STATE 193787  
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**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
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